

Greater Letaba Municipality

2009/2010 financial year

Executive summary



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1. Background

Section 152(2) of the Constitution of the Republic of South Africa, Act 108 of 1996, requires that a municipality must strive, within its financial and administrative capacity to achieve its objects as set out in section 152 (1), one of which is to ensure the provision of services to communities in a sustainable manner.

In terms of Section 16(2) subsection (1) of the Municipal Finance Management Act (MFMA) 56 of 2003, the mayor of the municipality must table the annual budget at least 90 days before the start of the budget year.

The budget outlines the municipality's revenue and spending plans and explains how money raised through rates and taxes, service charges and transfers from other spheres of government will be spent on delivering sustainable services to our communities. The aim of this budget is to build a better life for all the people within the jurisdiction of the Greater Letaba Municipality (GLM).

2. Alignment of IDP to budget

The integrated development plan is the main strategic tool in the municipality as required by Municipal Systems Act (MSA) 32 of 2000. Section 26 of the MSA put special emphasis on municipality's critical development and internal transformation needs.

In terms of Section 26(b) of the MSA, a municipality is compelled to make assessment of the existing levels of development in the municipality which must include identification of communities which do not have access to basic municipal services.

In order to address the identified basic needs, the municipality must in terms of Section 26(h) of the MSA, develop a financial plan which must include the budget projection for the next three years (Medium Term Revenue Expenditure Framework).

During the review of the IDP, there were projects that was budgeted for in the 2008/2009 financial year due to the assumption that there will be assessment received from farm owners which was not realized and as a result such projects were moved in the 2009/2010 financial year and some to the coming financial years as per priorities in the IDP.

Issues raised during public participation which resulted in the adjustment to our draft budget were also taken into consideration.

3. Public participation process

Section 16(1) of the MSA compels municipalities to develop a culture of municipal governance that complement formal representative with a system of participatory governance, and must for this purpose in terms of Section 16(1)(iv) encourage, create conditions for, local communities to participate in the affairs of the municipalities including the preparation of the budget.

This budget has been informed by integrated development plan (IDP) which is a product of community participation during the annual review processes.

During public participation processes, our communities confirmed their previous priorities in which many communities indicated their needs as reflected below. Our budget addresses in the 2009/2010 financial year mainly roads and electricity as both Water & Sanitation and Electricity to a large extent are the competency of both the District Municipality and ESKOM respectively;

- 3.1. Water and sanitation
- 3.2. Electricity
- 3.3. Roads and Transport
- 3.4. Crime
- 3.5. Health
- 3.6. Education
- 3.7. Housing
- 3.8. Unemployment

4. Financial management

The Municipal Finance Management Act No: 56 of 2003 makes provision for sound and sustainable management of the financial affairs of the municipalities by ensuring transparency, accountability and appropriate lines of responsibilities in the fiscal and financial affairs of municipality and management of revenue, expenditure, assets and liabilities and handling of financial dealings.

This requires the formulation and continuous review and full implementation of our policies and internal control systems and procedures to achieve the objectives as outlined in the MFMA.

Our Medium Term Revenue Expenditure Framework has been prepared to achieve the following objectives;

- 4.1. Increased income for all
- 4.2. Sustainable quality of life
- 4.3. Good credit rating

The Greater Letaba Municipality's budget has shown a growth from audited revenue of R58 784 515 in 2005/2006 financial year to R81 708 095 and R 95 743 280 in 2006/2007 and 2007/2008 financial years respectively.

This represent percentage increase of 40% and 17% between 2005/2006 and 2006/2007 and between 2006/2007 and 2007/2008 financial years respectively.

Budgeted revenue in 2009/2010 is R145 282 106 as opposed to estimated actual of R118 491 905 in 2008/2009 financial year and this represent a percentage growth 22.6%.

The capital expenditure has grown from R5 448 259 to R20 669 686 and R30 460 921 in the 2006/2007 and 2007/2008 financial years respectively.

Our total expenditure has grown from R52 850 207 in 2005/2006 financial year to R78 210 366 and R90 349 519 in the financial years 2006/2007 and 2007/2008 respectively.

The Greater Letaba Municipality reported the actual expenditure of 95% and 104% for both operating and capital expenditure respectively in the 2007/2008 budget.

An increase in both operating and capital budget in the 2009/2010 is mainly due to an increase in the value of equitable shares and municipal infrastructure grant in which a portion of the National Government allocation to municipalities for period April to June 2010 was also considered in this budget.

The municipality has also finalized the outstanding issues with farm owners with regard to the Municipal Property Rates Act implementation which therefore means they will start paying with effect from the 01 July 2009.

National Treasury has set the growth rates by which municipalities are allowed to implement their budget between 3-6% for the financial years 2009/2010-2011/2012. Our budget increment is based on 5.4% , 5.1% and 4.6% in 2009/2010, 2010/2011 and 2011/2012 financial years respectively. Our tariffs were generally increased by 5% except where there was a need for the restructuring of the tariff structure or adjustment (50% phasing in for the assessment rates) and 34% for electricity in terms of circular number 48 from National Treasury.

The Auditor General has during the municipality's 2008/2009 financial year finalized audits for financial years 2005/2006, 2006/2007 and 2007/2008. The municipality dealt with lot of issues that we raised in 2005/2006 and 2006/2007 in which disclaimer opinions were raised.

In the 2007/2008, the Greater Letaba Municipality received qualified reports based on the legacy issues which will only be resolved when the municipality converts to GRAP/GAMAP.

5. Budget highlights

Ours is addressing those issues that are our communities' priorities which include amongst others, continuous upgrading of road infrastructure, maintenance of our existing assets and provision of free basic services for our qualifying and verified indigent households and thereby improving the quality of life of our people.

Provisions have been made in our operational budget to provide the following;

Free Basic services	: R5 380 550-00.
Local Economic Development	: R 680 657-00
Skills Development	: R 200 000-00
Bursary scheme	: R 300 000-00
Maintenance of existing infrastructure	: R3 859 600-00
Special programmes	: R 400 000-00
Upgrading of financial and billing systems	: R1 350 000-00
Internship program	: R850 000-00
Demarcation and pegging of sites	: R1 600 000-00
Repayment of DBSA loan	: R2 162 558-00

In improving the quality of life of our people, of the total budget of R50 101 118-00, following budget allocations is made in our capital budget:

Upgrading of roads	: R35 292 618-00
Electricity provision	: R 2 000 000-00
Installation of streetlights and Apollo lights	: R 2 150 000-00
Youth Empowerment Projects	: R 600 000-00
Upgrading of electricity network	: R 1 000 000-00

R35 272 618-00 of the total capital budget for the 2009/2010 is funded from MIG for the National government allocation of R24 538 000 and R28 826 000-00 for the 2009/2010 and 2011/2012 respectively.

Timing differences in terms of the financial year ends of both local government and national and provincial government and good planning will allow for the implementation of these projects as contractors have been appointed.

6. Summary of social package

In terms of our indigent policy that is serving as a tool for the provision of free basic services, the following will apply to indigent households or other categories of rate payers in the 2009/2010 financial year;

- 6.1. Fully exemption of payment for assessment rates by all indigent households,
- 6.2. Fully exemption on sanitation charges
- 6.3. Fully exemption on refuse removal

- 6.4. Provision for 50kwh per month for free basic electricity
- 6.5. Provision of 6kl of free basic water per month.
- 6.6. 40% discount on assessment rates for pensioners.
- 6.7. Up to a maximum of 85% discount for farmers in terms of the categories of discounts allocated to them.

Any consumption above the levels provided by the indigent policy will be fully paid for by the indigent household.

7. Summary of the budget

1. In terms of section 17(2) of the MFMA, an annual budget must generally be divided into capital and operating budget.
2. The annual budget policy of the Greater Letaba Municipality puts limits and certain requirements in terms of how the budget allocation needs to be distributed including amongst others not less than 5% for repairs and maintenance, and salaries and allowance that must not exceed 35% of the total budget.
3. This budget has been prepared in terms of the new Treasury Budget Reforms as per Draft Municipal Finance Management Act: Municipal Budget and Reporting Regulations.
4. All Metros and big cities is compulsory for the preparation of the 2009/2010 budget in terms of these regulations and Greater Letaba Municipality has been one of those that have been encouraged to prepare the 2009/2010 in terms of the regulations for full compliance in the 2010/2011 when these are compulsory for all the municipalities.
5. Our budget for the 2009/2010 to 2011/2012 is made up as follows:

Description	2009/2010	2010/2011	2011/2012
Revenue	R148 416 026	R160 739 585	R177 323 026
Operating budget	R 97 919 898	R 101 818 313	R108 770 859
Capital budget	R 50 101 118	R 56 507 500	R 68 250 000
Net surplus (deficit)	R 395 010	R 2 413 772	R 302 167

6. The sources of revenue are the following for the 2009/2010;

Description	Amount	Percentage
Grant and subsidies	R122 224 618	82.3%
Assessment rates	R 2 456 208	1.7%
Electricity distribution	R 8 016 743	5.4%
Water distribution	R 4 786 147	3.2%

Traffic and licensing	R 3 519 225	2.4%
Refuse removal	R 2 551 538	1.7%
Sewerage	R 1 284 637	0.9%
Others	R 3 576 910	2.4%
Total	R148 416 026	100%

7. The breakdown in terms of key components of the budget;

Salaries and allowances	R 37 872 010-00	25.6%
Capital budget	R 50 101 118-00	33.8%
General expenses	R 27 338 037-00	18.5%
Repairs and maintenance	R 7 626 526-00	5.2%
Repayment of loan (DBSA)	R 2 162 558-00	1.5%
Councilors remuneration	R 10 969 768-00	7.4%
Water purchases	R 5 446 249-00	3.6%
Electricity purchases	R 6 504 750-00	4.4%
TOTAL	R148 021 016-00	100%

8. Conclusion

Our budget is represented and explained through tables and graphs as per Annexure A and all budget related policies as mentioned below;

- (1) Tariff policy
- (2) Rates policy
- (3) Indigent policy and
- (4) Tariffs for 2009/2010

I Mutshinyali Isaac Pandelani, the municipal manager of Greater Letaba Municipality hereby certify that the annual budget and supporting documentation have been prepared in accordance with Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

MUTSHINYALI IP (MR)

MUNICIPAL MANAGER

GREATER LETABA MUNICIPALITY (NP332)

SIGNED _____

DATE _____

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